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CORE LIST

# Guides to Co-op Bookkeeping



FCS INFORMATION '89

FARMER COOPERATIVE SERVICE • U.S. DEPARTMENT OF AGRICULTURE



## FARMER COOPERATIVE SERVICE U.S. DEPARTMENT OF AGRICULTURE

Farmer Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Service (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Service publishes research and educational materials and issues *News for Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

## Guides to Co-op Bookkeeping

By Francis P. Yager

This publication explains what a bookkeeping system is and what business information it provides.



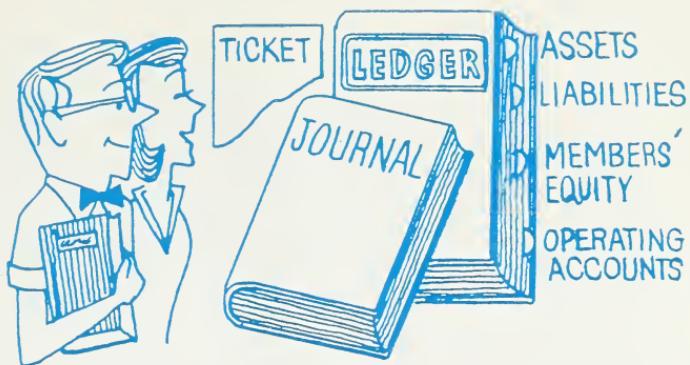
The bookkeeping system gives the manager and the board of directors the necessary information to operate the cooperative according to good business practices.



Bookkeeping entries vary by kind of cooperative, type of operation, and size of volume.



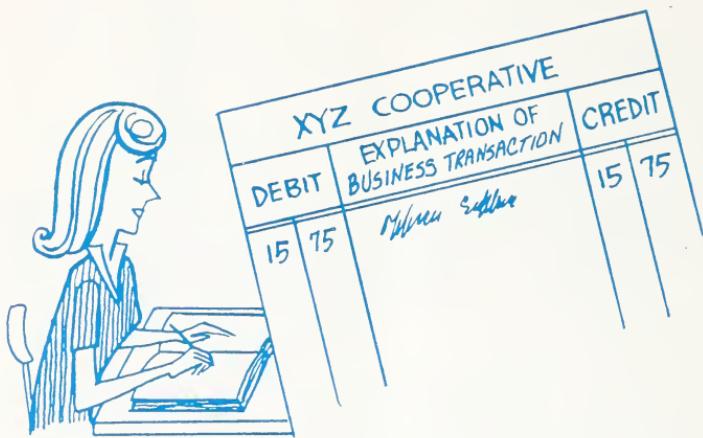
Bookkeeping provides a record of *business transactions*.



A *transaction* is exchanging goods or services at stated prices and involves the transfer of money.



Business transactions are recorded at least twice—once in a *debit* column and once in a *credit* column.



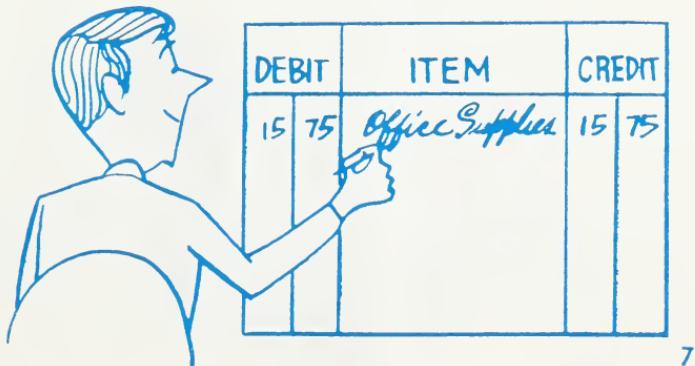
This practice is called *double entry* bookkeeping when each transaction is recorded in a debit and credit column.



Debits are entered on the left side of a column or page; credits are entered on the right side.



Debits and credits for any given transaction should equal or balance each other.

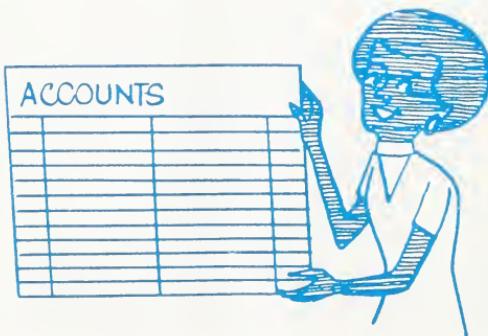


Information from the sales ticket is entered in the *journal*, usually on a daily basis. The entry includes details such as the date, the kind of transaction, and the price.

SPECIAL COLUMN JOURNAL					
ALL ENTRIES THIS SIDE ARE DEBIT			ALL ENTRIES THIS SIDE ARE CREDIT		
EXPENSES	GEN. LEDGER ACCT. AMT.	CASH BOOKED	DATE 19XX	NAME AND EXPLANATION	CASH BOOKED ACCT. AMT.
25.00			1-15	Office Supplies	15 25.00



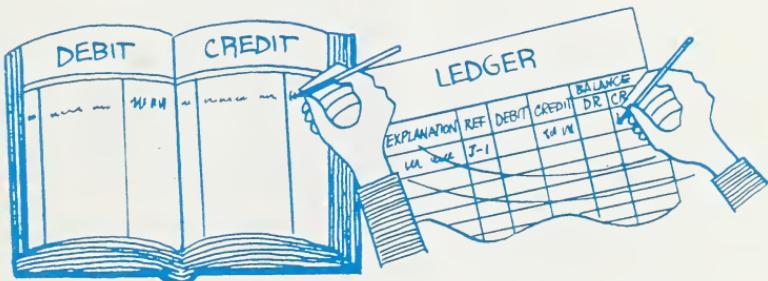
A record of each transaction—purchases, sales, salaries, wages—is called an *account*.



Transferring debits and credits from the accounts in the journal to accounts in the *ledger* is called *posting*. The ledger is a summary of all the accounts.



Trial balance is checking debits and credits in the ledger accounts for accuracy.



Totals in the debit column and credit column are the same when the ledger accounts balance.



A *financial statement* is prepared each month to keep the manager and the board of directors informed about the cooperative's business condition.



A worksheet is used to prepare the financial statements—consisting of the *operating statement* and *balance sheet*.

NAME of ACCOUNT	TRIAL BAL		ADJUSTMENTS		ADJUSTED TRIAL BAL.		BALANCE SHEET		OPERATING STATEMENT	
	DR	CR.	DR.	CR.	DR	CR.	DR	CR.	DR.	CR.
Cash	12,11				10,11		10,11			
Cash in Bank	1,114				(1,114)		(1,114)			
Accts. Receivable	10,41				10,41	1,111	10,41	1,111		
Inventories	1,111				1,111	1,111	1,111	1,111		
Buildings,										
Depreciation										
Common Stock	10,000				10,000	1,111	10,000	1,111		
Unpaid Dividends	1,111				1,111	1,111	1,111	1,111		



Some accounts must be adjusted; such as, inventories, insurance, taxes, depreciation, salaries, and other expenses to accurately reflect business conditions.



An *operating statement* shows operating results for a certain period of time, usually a month or a year.



## OPERATING STATEMENT

Everybody's Cooperative  
Anytown, USA

January 1, 19XX to December 31, 19XX

Sales .....	\$100,000
Cost of goods sold .....	<u>85,000</u>
Gross margin .....	15,000
Expenses .....	<u>12,500</u>
*Net margins .....	<u>\$ 2,500</u>

\*Allocated to patrons on basis of business done with the cooperative.

A balance sheet shows financial condition of a business at a given moment of time.



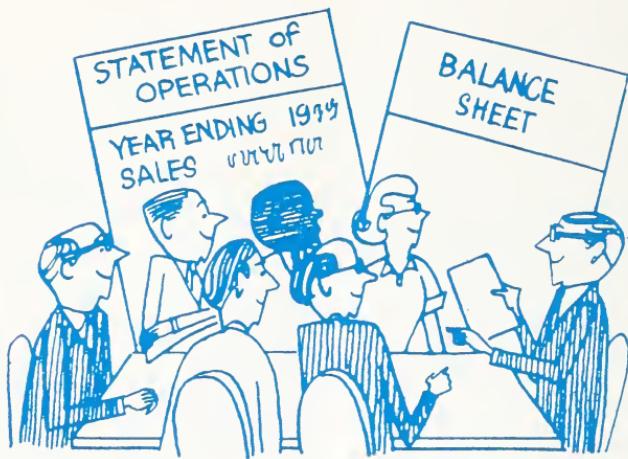
**BALANCE SHEET**

Everybody's Cooperative  
Anytown, USA

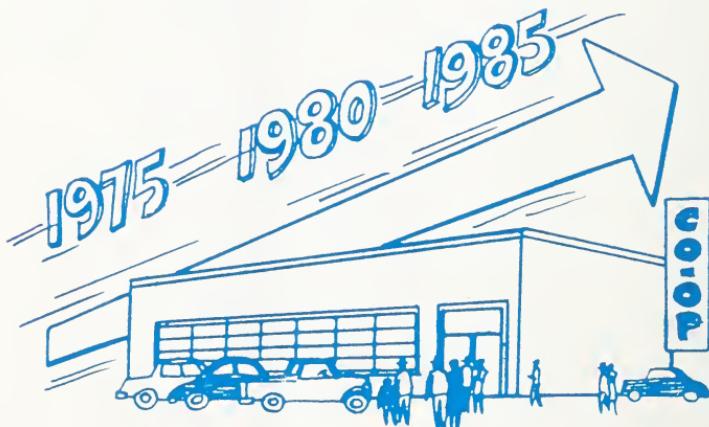
December 31, 19XX

<i>Assets</i>		<i>Liabilities and Member Equities</i>	
<b>Current assets</b>		<b>Current Liabilities</b>	
Cash	\$ 1,000	Accounts payable	\$10,000
Accounts receivable	200	Accrued expenses	800
Inventory	<u>34,000</u>	Short term loans	1,000
Fixed assets		Patronage refund payable	<u>500</u> \$12,300
Land	1,000	Long term loan	24,000
Building	\$15,000	Grants	10,400
Equipment	<u>10,000</u>	<b>Member equities</b>	
Less Depreciation	1,300	Capital stock	13,000
	<u>23,700</u>	Allocated reserves	<u>2,000</u> 15,000
Other assets	1,000	<b>Total liabilities and Member equities</b>	
Prepaid	<u>800</u>		<u>\$61,700</u>
Total assets	<u><u>\$61,700</u></u>		

The manager uses the financial statements to report the business condition of the cooperative to the board of directors.



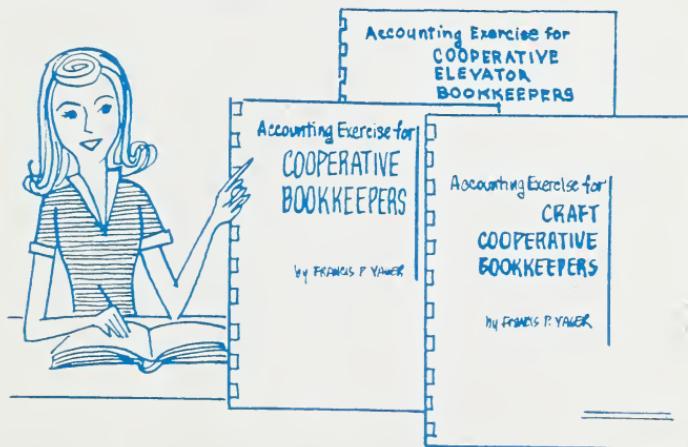
This information helps the board to make long-range plans to enlarge and improve the cooperative's service to its member-owners.



To inform the member-owners about the business condition of their cooperative, an *annual report* is prepared. A copy is given to each member, and it is discussed at the *annual meeting*.



Bookkeeping exercises, as illustrated, may be obtained from Farmer Cooperative Service, U.S. Department of Agriculture, Washington, D.C. 20250.



## OTHER PUBLICATIONS



**What Are Cooperatives?**  
Information 67 (Also in Spanish)

**Is There a Co-op in Your Future?**  
Information 81

**Members Make Co-ops Go.**  
Information 72 (Also in Spanish)

**Measuring Co-op Directors.**  
Information 73 (Also in Spanish)

**What Co-op Directors Do.**  
Information 71 (Also in Spanish)

**Manager Holds Important Key to Co-op Success.**  
Information 74 (Also in Spanish)

**Using Co-op Members' Money.**  
Information 79

**Employees Help Co-ops Serve.**  
Information 83

**Guidelines Co-op Employees Need.**  
Information 93

**Bookkeeping Forms Your Co-op Needs.**  
Information 89

**Farmer Cooperative Publications.**  
Information 4



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